

# 1980s—challenge for ICI

Imperial Chemical Industries will have to look increasingly for opportunities to expand in continental Western Europe if it is to meet the marketing challenge of the 1980s, according to one of its divisional chiefs.

Mr Tom Hutchison, chairman of the plastics group, said chemical companies would have to adjust to the very rapid rise in feed stock costs, coupled with a much slower growth if the demand for their products over the next 10 years.

ICI, which with sales in 1973 of £625m is Britain's largest manufacturer and exporter of plastics, believes that growth in demands throughout Europe will be about five to six per cent a year, half the rate recorded in the early 1970s. Nevertheless this is still twice the predicted growth for the United Kingdom market, which is one fifth the size.

Mr Hutchison believes that the impetus to expand outside Britain will be further encouraged by a gradual decline in some of the traditional "deep-water" markets for ICI plastics bulk products, as local production capacity is expanded:

"This means that there must be further expansion through a policy of selective investment in Western Europe and a steady increase in exports from our United Kingdom plant".

ICI believes that prospects for substituting plastic for other materials are also greater overseas. At present 10 per cent of ICI's plastic sales are outside Western Europe and of the remaining 90 per cent between 25 and 30 per cent are in continental Europe.

The company has production units in France, the Netherlands and Belgium. A PVC plant with a capacity of 115,000 tonnes a year is due to come on stream at Wilhelmshaven West Germany at the end of the year.

At the same time, the division is seeking economies sufficient to generate an additional £20m in earnings. This is the sum management believes necessary if the future prosperity of the division and growth aspirations are to be achieved.

Talks with employees over how this may be achieved are already under way. A six-point plan aimed to achieve among other things a 5 per cent reduction in employees (now numbering 10,000) and a 10 per cent reduction in capital employed, with no decrease in output.

In spite of uncertainty over feedstocks—the division derives only one third of the requirements from its own resources—Mr Hutchison believes that

there are good opportunities for improved profitability.

He hopes that prices on bulk products, primarily PVC, polypropylene and low density polyethylene will move to more realistic levels this year. In recent years they have been depressed as the industry sought to cope with overcapacity in many areas.

Mr Hutchison attacked unnamed producers for their short-sightedness in seeking to increase their market share in depressed conditions by driving down prices to unrealistic levels.

"Many European producers continue to delude themselves about inflation and fail to grasp the implications of present profit levels", he said at a special briefing at the division's headquarters in Welwyn Garden City. Polyethelene prices are already due to go up from February 1.

ICI which accounts for about a quarter of total United Kingdom plastics exports had in common with other manufacturers suffered because of the general overcapacity in bulk plastics. The speciality side of its business has however prospered and a higher rate of growth in this area is expected in the future.

**John Huxley**

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